

Where Have All the Good Jobs Gone?

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Executive Summary

The U.S. workforce is substantially older and better educated than it was at the end of the 1970s. The typical worker in 2010 was seven years older than in 1979. In 2010, over one-third of US workers had a four-year college degree or more, up from just one-fifth in 1979.

Given that older and better educated workers generally receive higher pay and better benefits, we would have expected the share of “good jobs” in the economy to have increased in line with improvements in the quality of workforce. Instead, the share of “good jobs” in the U.S. economy has actually fallen.

By our definition of a good job – one that pays at least \$37,000 per year, has employer-provided health insurance, and an employer-sponsored retirement plan – the share of workers with a “good job” fell from 27.4 percent in 1979 to 24.6 percent in 2010. The total share of good jobs had declined even before the Great Recession; in 2007, for example, only 25.0 percent of workers had a good job by our definition.

Our estimates, which control for increases in age and education of the population, suggest that relative to 1979 the economy has lost about one-third (28 to 38 percent) of its capacity to generate good jobs.

The standard explanation for the deterioration in the economy’s ability to create good jobs is that most workers’ skills have not kept up with the rapid pace of technological change. But, if technological change were behind the decline in good jobs, then we would expect that a higher – probably substantially higher – share of workers with a four-year college degree or more would have good jobs today. Instead, at every age level, workers with four years or more of college are actually less likely to have a good job now than three decades ago. This development is even more surprising because the economy also has almost twice as many workers with advanced degrees today as it did in 1979.

We believe, instead, that the decline in the economy’s ability to create good jobs is related to a deterioration in the bargaining power of workers, especially those at the middle and the bottom of the income scale. The main cause of the loss of bargaining power is the large-scale restructuring of the labor market that began at the end of the 1970s and continues to the present. The share of private-sector workers who are unionized has fallen from 23 percent in 1979 to less than 8 percent today. The inflation-adjusted value of the minimum wage today is 15 percent below what it was in 1979. Several large industries, including trucking, airlines, telecommunications, and others, have been deregulated, often at a substantial cost to their workers. Many jobs in state and local government have been privatized and outsourced. Trade policy has put low- and middle-wage workers in the United States in direct competition with typically much lower-wage workers in the rest of the world. A dysfunctional immigration system has left a growing share of our immigrant population at the mercy of their employers, while increasing competitive pressures on low-wage workers born in the United States. And all of these changes have played out in a macroeconomic context that has – with the exception of the last half of the 1990s – placed a much greater emphasis on controlling inflation than achieving full employment. In our view, these policy decisions, rooted in politics, are the main explanations for the decline in the economy’s ability to generate good jobs.

Introduction

Over the last three decades, the United States has experienced an enormous increase in its productive capacity. Compared to the end of the 1970s, the typical worker today is almost twice as likely to have a four-year college degree or more, is about seven years older, is working with about 50 percent more physical capital (buildings, machinery, equipment, etc.), and using much more advanced technology. As a direct result, even after the Great Recession, the United States was, on a per-person basis, over 60 percent richer in 2010 than it was in 1979. (See **Table 1**.)

TABLE 1
Growth in Productive Capacity of the U.S. Economy, 1979-2010

	1979	2010
Workers with a four-year college degree or more (Percent of all workers, ages 18-64)	19.7	34.3
Median age of workers, 18-64 (Years)	34	41
Capital per worker (Index, 1979=100.0)	100.0	151.4
Workers using computer on job (percent of all workers)	0	60+
GDP per person (2010 dollars)	28,643	46,904

Notes: Workers with a four-year college degree or more and median age of workers from authors' analysis of Current Population Survey (CPS) data. Capital per worker from authors' analysis of Department of Commerce, *Survey of Current Business*, various years, and Bureau of Labor Statistics, Current Employment Statistics. Workers using computer at work is authors' estimate based on Department of Commerce (2003, 2011). GDP per person from World Bank, World Development Indicators, converted to 2010 dollars using GDP chain-type price index.

As we have documented in earlier research, however, the U.S. economy has not managed to translate this substantial upgrading in the quality of the workforce and capital stock into a similar increase in overall job quality.¹ Using the definition of a “good job” that we develop in detail below – one that pays at least \$18.50 per hour, has employer-provided health insurance, and some kind of retirement plan – the share of the U.S. workforce that has a good job actually declined from 27.4 percent in 1979 to 24.6 percent in 2010. This decline in job quality took place despite large increases in the average age and educational attainment of the workforce, which suggests that, if not for these improvements in the quality of the workforce, the decrease in good jobs would have been even greater. In fact, our analysis implies that, over the last three decades, the U.S. economy has seen a decline of about one-third in its capacity to generate good jobs.

¹ See Schmitt (2005, 2007, 2008).

In the remainder of this report, we first define what we mean by a “good job” and spell out our three specific criteria based on pay, health insurance, and retirement benefits. We then examine trends between 1979 and 2010 in the distribution of “good jobs” using this definition. Finally, we measure the impact of the large improvements in the quality of the U.S. workforce since 1979 on the creation of good jobs. Controlling for this increase in workers’ age and education allows us to gauge the extent of the decline in the underlying capacity of the U.S. economy to generate good jobs.

Defining a “Good Job”

A “good job” is hard to define – and many reasonable definitions exist. For our purposes, we seek a definition that both resonates with workers and that can be measured consistently over the last three decades. Pay is obviously central to job quality. Our analysis uses earnings as a key benchmark, but also incorporates health insurance and retirement benefits. Ideally, we would like to include many other characteristics of jobs – job security, opportunities for advancement, availability of paid sick days, paid family leave, paid vacation, scheduling flexibility, workplace health and safety, and many others. Unfortunately, no data sources exist that track these features of jobs over the last three decades, and where there are data on some of these individual job characteristics, the data are not available in conjunction with other job quality information such as pay, health insurance, and retirement benefits.

In this report, we follow earlier CEPR research and define a good job as one that pays at least \$18.50 per hour (in constant 2010 dollars), offers health insurance that is at least partly paid by the employer, and provides some kind of retirement plan.² We believe that this simple definition captures many of the most important features of job quality, both because pay and these core benefits are important on their own terms, but also because high pay and the availability of health insurance and retirement benefits are strongly correlated with other desirable job characteristics that we have not been able to include here. Our definition also has the highly useful feature of being measurable, using the Current Population Survey (CPS), from 1979 through the present.³ Next, we will describe the three components of our good-job measure and how they are measured using CPS data.

Earnings

A “good job” in our analysis must pay at least \$18.50 per hour, or about \$37,000 annually.⁴ This was the median hourly pay, in inflation-adjusted 2010 dollars, for men in 1979. Thus, a good job today pays as much, in inflation-adjusted terms, as the typical male earned in 1979.

Figure 1 shows the trends from 1979 through 2010 in the share of all jobs above this earnings cutoff. In 2010, 47.2 percent of the workforce was at or above the earnings threshold, up from 40.6

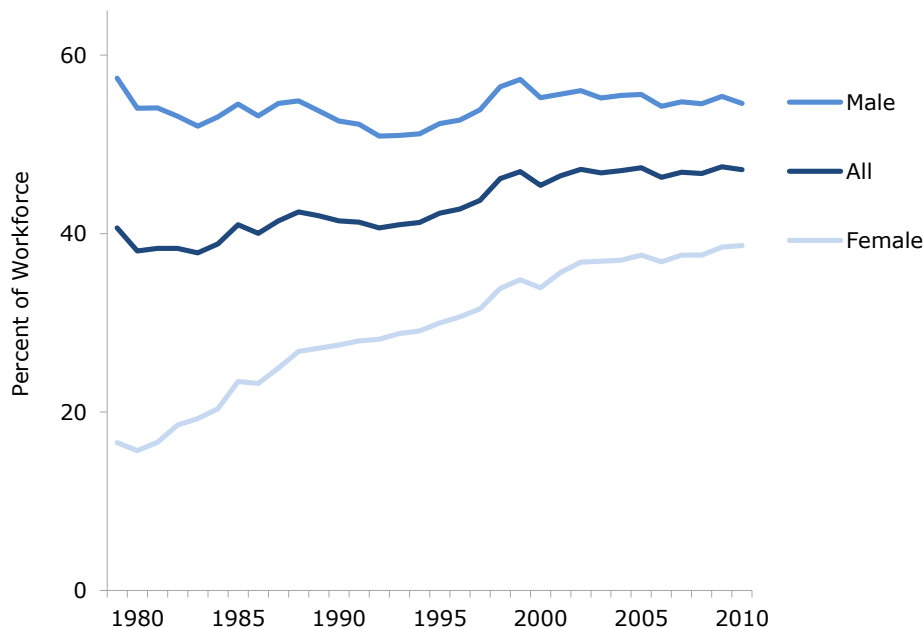
2 This analysis differs slightly from earlier research because the sample of workers here is limited to those who worked at least 26 weeks in the calendar year before the March CPS and worked an average of at least 20 hours per week.

3 The CPS is a large, nationally representative, monthly survey of U.S. households. Each year, the March CPS asks respondents about their income, health-insurance coverage, and retirement plan participation during the preceding calendar year. For further details on the CPS, see: <http://www.census.gov/cps/>.

4 The values in the text round up from \$18.43 per hour and \$36,860 per year. All dollar figures in this report are in constant 2010 dollars, deflated using the CPI-U-RS.

percent in 1979. The share of jobs earning at least \$18.50 per hour was essentially flat over the Great Recession: 46.9 percent in 2007 and 47.2 percent in 2010.⁵

FIGURE 1
Share of Workers above Good-jobs Earnings Threshold, by Gender, 1979-2010



Source: Authors' analysis of March Current Population Survey.

Earnings trends, however, differ strongly by gender. The share of men at or above the earnings cutoff declined from 57.4 percent in 1979 to 54.6 percent in 2010. At the same time, the share of women clearing the earnings threshold more than doubled, from 16.6 percent in 1979 to 38.7 percent in 2010. As a result, the gender earnings gap, by this measure, fell sharply. In 1979, men were 40.9 percentage points more likely than women to earn at least \$18.50 per hour; by 2010, the gap had fallen to 15.9 percentage points.

Health Insurance

The second component of a good job is that it must have employer-provided health insurance where the employer makes at least some contribution toward the premium. Throughout the time period examined here, the March CPS asked workers if they were covered by an employer-provided health insurance plan, and if so, whether the employer paid all, part, or none of the plan premiums.

Several issues, however, may affect the interpretation of our health-insurance indicator. The first is that the CPS survey questions related to health insurance have changed several times over the last three decades. These changes had their biggest impact on measuring health-insurance coverage from sources other than employers, so are less relevant to our analysis. Moreover, the effect of almost all the survey changes was to raise the share of respondents who reported having some form of health

⁵ In general, our findings do not differ in any qualitative way if we use 2007 or 2010 as the endpoint of our analysis.

Throughout, we report results for 2007 and 2010, but focus the discussion on the most recent data available, for 2010.

insurance. Thus, to the extent that the survey changes have an impact on our results, the effect would be to bias our results toward finding more good jobs in recent years than in earlier years.⁶

A second issue with the CPS data we use is that a worker must *accept* health-insurance coverage in order for us to observe them as having a job with employer-provided health insurance. A worker could have a job where employer-provided health insurance is available, for example, but choose not to accept it, and would be designated in our measure as not having a “good job.” This might be of particular concern with respect to married respondents that obtain employer-provided health-insurance coverage through their spouse. In practice, however, this effect is not likely to be large. In 2008, for example, less than 14 percent of workers had employer-provided health insurance through someone other than their own employer.⁷ More importantly, this share was roughly similar at the beginning and the end of the three decades, suggesting that movements in spousal coverage are not likely to bias our results in either direction.⁸

Finally, the CPS does a poor job of gauging the quality of workers’ health-insurance plans. The CPS does not, for example, track the value of the underlying premiums, copays, deductibles, annual or lifetime limits, or other aspects of the coverage. The CPS does report a substantial decline in the share of employers who pay all of the health-insurance premium, but contains no other consistent measures of plan features over the full period. The quality of the underlying medical attention is certainly better today than it was three decades ago, but – given greatly expanded efforts to shift the cost of insurance from employers to workers – the quality of the health insurance itself is likely, on average, to be worse today than three decades ago. Our simple health-insurance measure, however, will not capture any of these likely declines in quality.

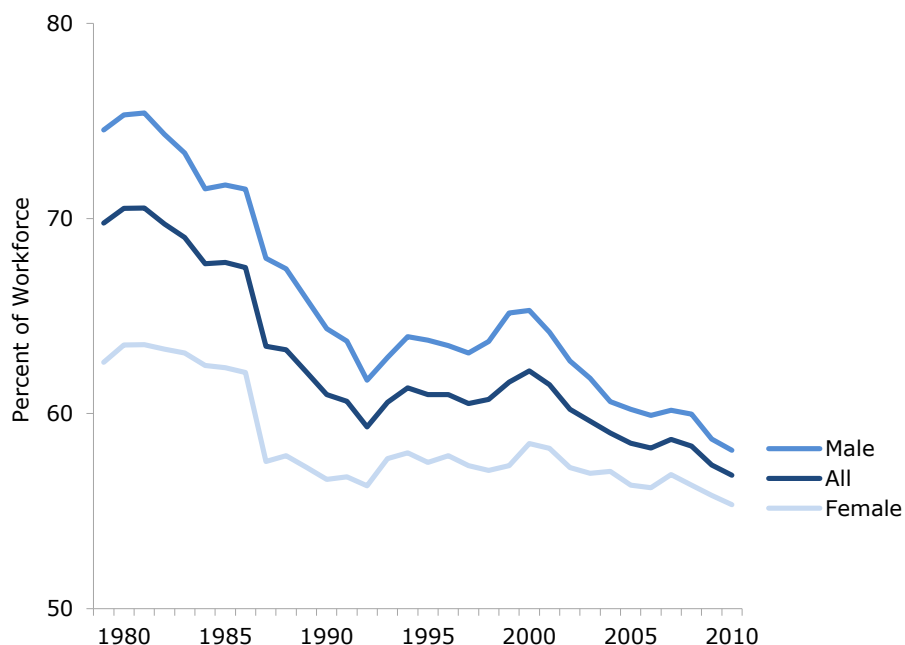
Figure 2 displays the share of workers with an employer-provided health insurance plan where the employer pays at least part of the premium. Even without taking into account the quality of plans offered, employer-provided coverage has sharply decreased. Between 1979 and 2010, the share of workers with coverage fell 16.4 percentage points for men, 12.9 percentage points for all workers, and 7.3 percentage points for women. This trend persisted through the Great Recession.

6 For a detailed discussion of changes to the CPS health-insurance questions, see Rho and Schmitt (2010).

7 Rho and Schmitt (2010), Table 4.

8 For a fuller analysis of workers’ health-insurance coverage from all sources, see Rho and Schmitt (2010) and Schmitt (2012).

FIGURE 2
Share of Workers with Employer-provided Health Insurance, by Gender, 1979-2010



Source: Authors' analysis of March Current Population Survey.

Retirement

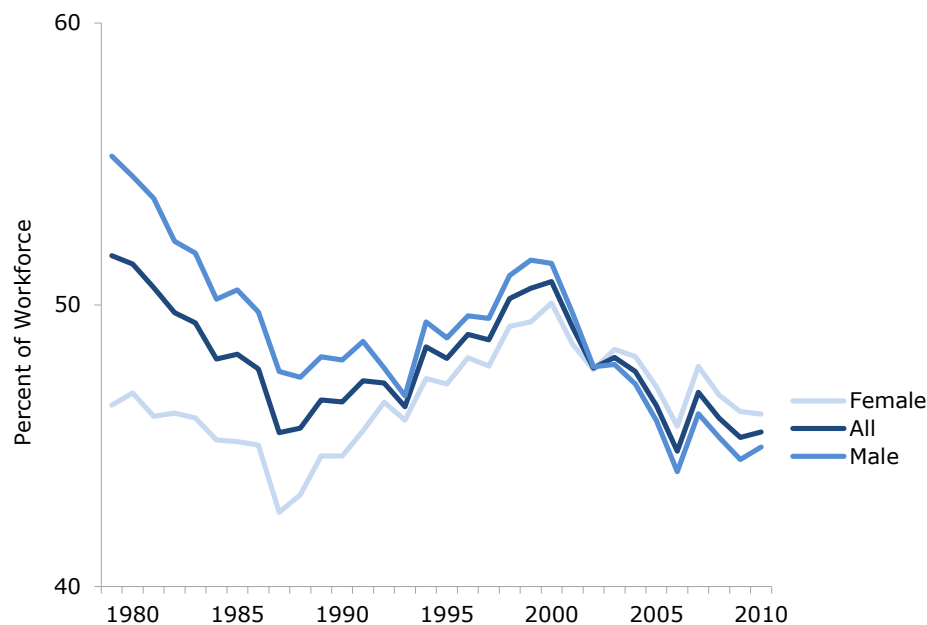
The final requirement for a “good job” is participation in an employer-sponsored retirement plan. Unfortunately, the March CPS does not track the quality of retirement benefits, so any employer-sponsored plan, regardless of its characteristics, will meet our criteria. Some of these plans will be traditional, defined-benefit pensions (of varying generosity), while some will be typically less generous defined-contribution systems along the lines of 401(k) plans (which also vary substantially with respect to their generosity). Defined-benefit plans have been on the decline over the last three decades and most have been replaced by some form of defined-contribution plan. By 2010, only about half of U.S. workers participated in an employer-sponsored retirement plan.⁹ The shift from defined-benefit pensions to defined-contribution retirement plans represents a shift in risk from employers to employees, whose retirement income increasingly depends on their skill and luck in investing their individual holdings. This additional risk, however, is not measured in the March CPS, nor in our “good jobs” measure. Thus, much as in the case of health insurance, our measure likely overstates any progress the economy has made in improving job quality over time.

Figure 3 shows the share of the workforce that has some kind of employer-sponsored retirement plan through their current employer. The portion of the workforce with a plan has zigzagged over the last three decades. Retirement coverage fell sharply through most of the 1980s as employers dropped traditional pensions. Coverage then increased through the 1990s, as employers began to offer lower-cost defined-contribution plans instead of traditional pensions. The economic downturn in the early 2000s, which was accompanied by a steep decline in stock prices, however, seems to

⁹ For a review of developments over the last three decades in retirement plans in the private sector, see Mishel, Bernstein, and Shierholz (2009).

have set off a second wave of declines in retirement-plan participation. By 2010, the share of workers participating in a retirement plan at work was 7 percentage points lower than it had been in 1979. An interesting additional development is that – since the early 2000s – women have been more likely than men to participate in a retirement plan, a substantial reversal of the pattern in the 1980s and 1990s.

FIGURE 3
Share of Workers with Employer-sponsored Retirement Plan, by Gender, 1979-2010

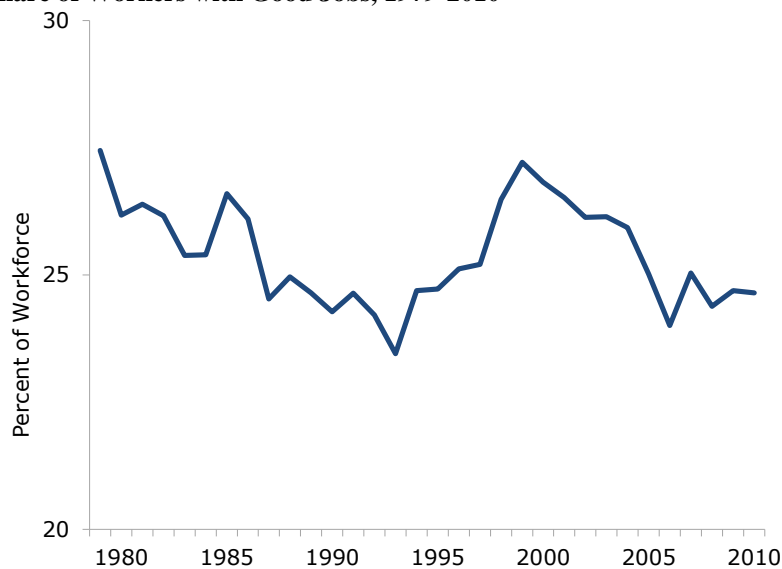


Source: Authors' analysis of March Current Population Survey.

Good Jobs

We now examine the results of combining these three individual criteria – earning at least \$18.50 per hour, having employer-provided health insurance, and participating in an employer-sponsored retirement plan. As **Figure 4** demonstrates, in 2010, 24.6 percent of all jobs met our good-jobs standard, down from 27.4 percent in 1979. Over the last three decades, the share of good jobs in the economy fell 2.8 percentage points, despite substantial increases in the quality of the workforce and a 63 percent increase in GDP per person.

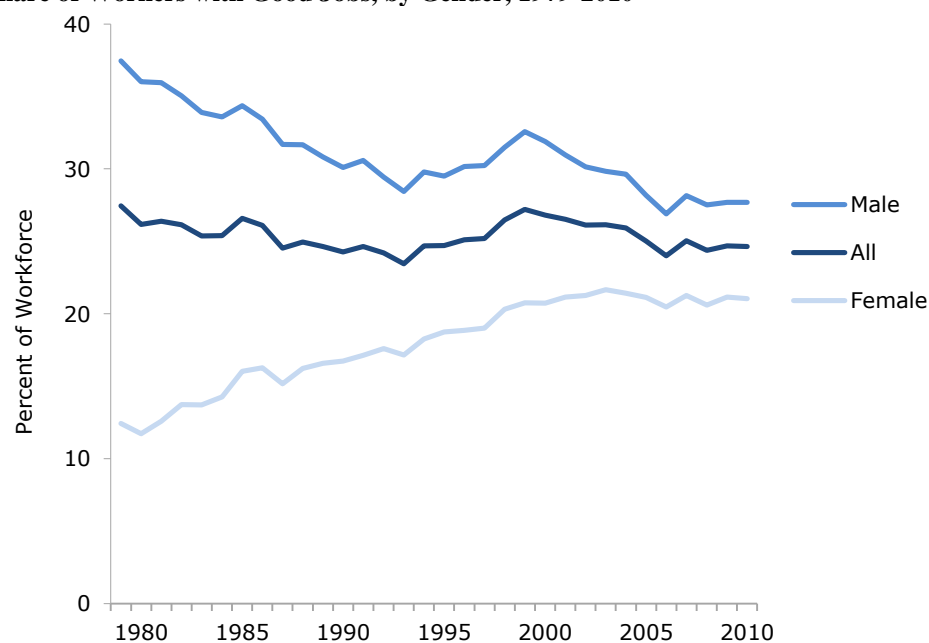
FIGURE 4
Share of Workers with Good Jobs, 1979-2010



Source: Authors' analysis of March Current Population Survey.

Figure 5 shows large differences in good-job trends by gender. For women, the share in good jobs has grown almost continuously, from 12.4 percent in 1979 to 21.1 percent in 2010. Over the same period, the share of men in good jobs fell almost 10 percentage points, from 37.4 percent in 1979 to 27.7 percent in 2010. Over the entire period, women were less likely than men were to be in a good job, but the gender gap shrank steadily as the labor-market prospects for women generally improved.

FIGURE 5
Share of Workers with Good Jobs, by Gender, 1979-2010



Source: Authors' analysis of March Current Population Survey.

Accounting for Increasing Age and Education

As noted earlier, over the last three decades, the age and educational attainment of the workforce has increased substantially. Given that older and better-educated workers are more likely to hold good jobs, we would have expected the good-jobs rate to have increased in line with this improvement in the quality of the workforce. That the good-jobs share has, instead, declined suggests that the economy has lost an important part of its underlying ability to generate good jobs. In this section, we use the available information about the changing age and educational characteristics of the workforce to estimate the size of the deterioration in the economy's capacity to produce good jobs.

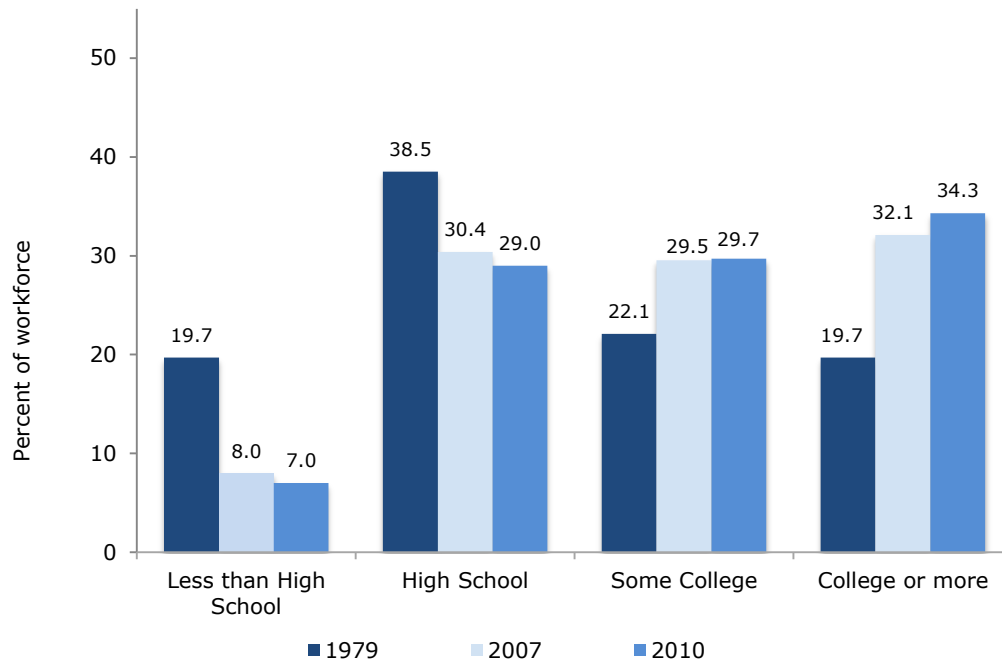
Table 2 and **Figures 6a** and **6b** document the large increase in the age and education of the workforce since 1979. In 1979, almost 20 percent of the workforce had less than a high school degree, but, by 2010, that share had dropped to just 7 percent. In 1979, about 20 percent of workers had a four-year college degree or more; by 2010, the share had increased to 34 percent. Over the same period, the workforce also aged considerably.¹⁰ In 1979, almost half of workers (47.4 percent) were between 18 and 34 years old. By 2010, the share in this age range had fallen to one-third (33.4 percent). Over the same period, the share of workers in the 35 to 54 year-old range increased from just under 40 percent to almost 50 percent; and the share of workers just below retirement age – 55 to 64 – grew from about 13 percent to almost 18 percent of all workers. These demographic shifts combined to raise the median age of the workforce 7 years. As a result of these developments, by 2010, the typical worker was substantially older and much better educated than in 1979.

TABLE 2
Increases in Age and Educational Attainment of the Workforce, 1979-2010
(percent of employees, age 18-64)

	1979	2007	2010
Education			
Less than High School	19.7	8.0	7.0
High School	38.5	30.4	29.0
Some College	22.1	29.5	29.7
College or more	19.7	32.1	34.3
Age			
18-34	47.4	34.1	33.4
35-54	39.5	50.5	49.1
55-64	13.1	15.5	17.5
Notes: Authors' analysis of March Current Population Survey.			

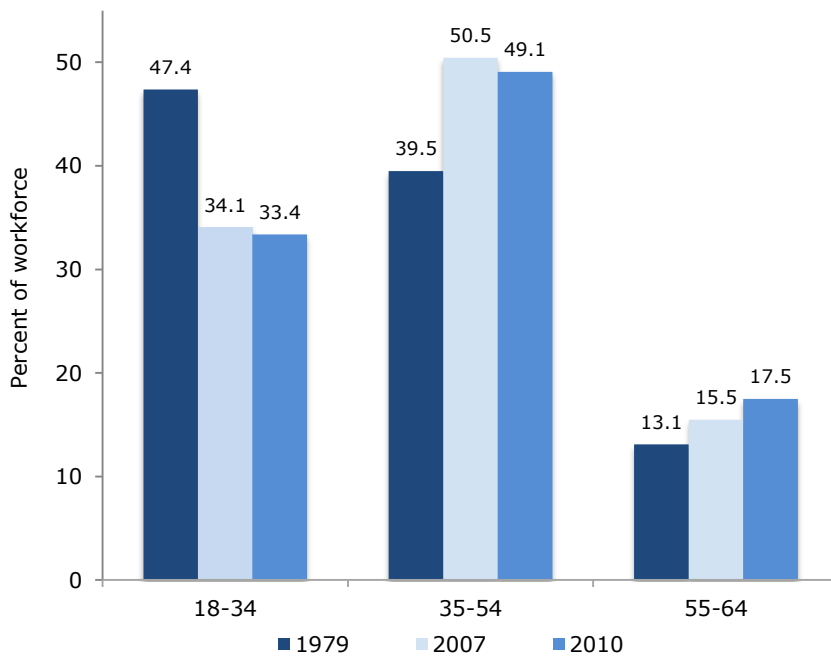
¹⁰ Our sample throughout is limited to the workforce in the 18 to 64 age range.

FIGURE 6a
Increases in Educational Attainment of the Workforce, 1979-2010



Notes: Authors' analysis of March Current Population Survey.

FIGURE 6b
Increases in Age of the Workforce, 1979-2010



Notes: Authors' analysis of March Current Population Survey.

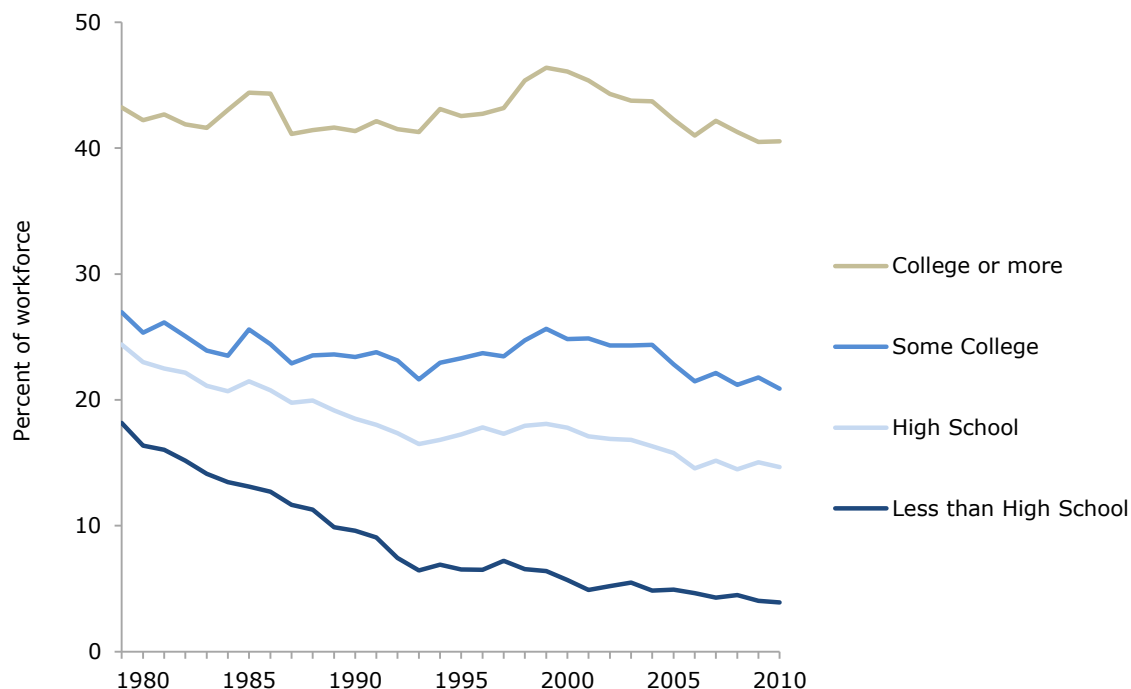
Remarkably, though, workers at every education level – even those with a college degree or more – were less likely to be in a good job in 2010 than they were in 1979 (see **Table 3** and **Figures 7a** and **7b**). In 2010, only 3.9 percent of workers with less than a high school degree were in a good job, compared to 18.2 percent in 1979; among high school graduates, 14.7 percent were in good jobs in 2010, compared to 24.4 percent in 1979; and for those with a four-year college degree or more, 40.5 percent were in good jobs in the most recent data, down from 43.2 percent at the end of the 1970s. The decline in the good-jobs rate for workers with a four-year college degree or more is especially striking because the share of the workforce with an advanced degree (M.A., J.D., M.D., Ph.D. or similar) increased from 6.5 percent in 1979 to 11.8 percent in 2010.

TABLE 3
Good Jobs, by Education and Age Groups, 1979-2010
(percent of employees, age 18-64)

	1979	2007	2010
Education			
Less than High School	18.2	4.3	3.9
High School	24.4	15.2	14.7
Some College	27.0	22.1	20.9
College or more	43.2	42.2	40.5
Age			
18-34	19.8	15.1	15.0
35-54	34.9	29.7	29.0
55-64	32.5	31.6	30.7

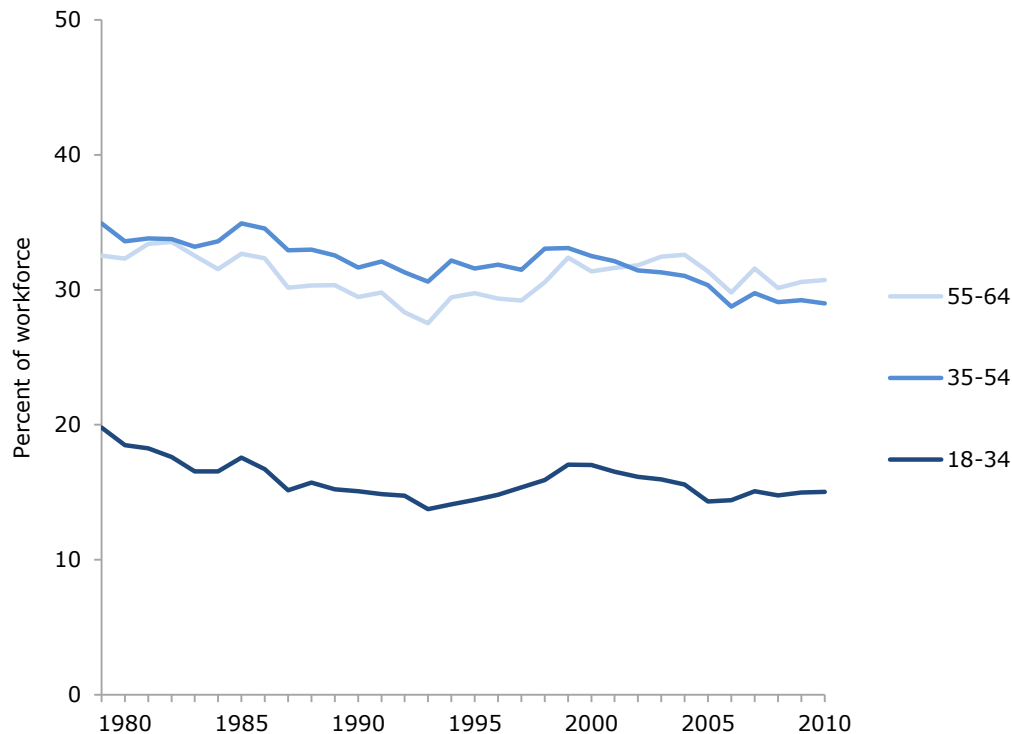
Notes: Authors' analysis of March Current Population Survey.

FIGURE 7a
Good Jobs, by Education, 1979-2010



Notes: Authors' analysis of March Current Population Survey.

FIGURE 7b
Good Jobs, by Age Groups, 1979-2010



Notes: Authors' analysis of March Current Population Survey.

Workers at every age level were also less likely to have a good job in 2010 than they were in 1979 (see Table 3). For 18-to-34 year olds, only 15 percent of workers had a good job in 2010, down from almost 20 percent in 1979. For 35-to-54 year olds, the 2010 rate was 29 percent, compared to 35 percent in 1979. For 55-to-64 year olds, the share fell to 31 percent in 2010 from 33 percent in 1979. Even as the workforce grew older and better educated, the economy became less and less able to provide workers at every age and education level with a good job. **Table 4** summarizes the basics of a more formal analysis that attempts to measure the degree to which the economy has lost its ability to generate good jobs. For each year (1979, 2007, and 2010), we divide the workforce into twelve education-and-age groups, based on the same age-and-education categories in Table 2. For each of these 12 groups, separately for each year, we calculate the share of workers with a good job. In 1979, for example, 22.7 percent of workers with less than a high school degree and between the ages of 35 and 54 had a good job. We also calculate the share of the workforce in each year that fell into each of the 12 groups. In 1979, for example, 9.2 percent of all workers were in the group comprised of workers with less than a high school degree and in the 35-to-54 year-old age range. Within each year, the share of the 12 age-and-education groups sums to 100 percent, or the total workforce in the 18-to-64 age range. Note, also, that the good-jobs rate for “All” is simply the weighted average of the good-jobs rate for each group, where the weights are each group’s share in total employment.

TABLE 4
Distribution of Good Jobs, by Age and Educational Attainment, 1979-2010
 (percent of employees, ages 18-64)

Education, Age	1979 Share of total workforce	1979 Good- jobs rate	2007 Share of Total workforce	2007 Good- jobs rate	2010 Share of Total workforce	2010 Good- jobs rate
Less than High school, 18-34	6.4	8.8	3.1	1.3	2.5	1.2
Less than High school, 35-54	9.2	22.7	3.9	5.3	3.5	4.3
Less than High school, 55-64	4.2	22.5	1.0	9.4	1.1	8.8
High school, 18-34	18.5	17.2	10.5	7.1	9.5	6.6
High school, 35-54	15.1	31.1	15.4	19.1	14.5	18.1
High school, 55-64	5.0	30.9	4.6	20.5	5.0	20.2
Some college, 18-34	13.1	19.4	11.0	11.0	11.1	9.9
Some college, 35-54	7.0	38.0	14.1	28.8	13.7	27.3
Some college, 55-64	2.0	38.1	4.4	28.7	4.9	28.2
College or more, 18-34	9.4	32.9	9.5	33.1	10.2	31.9
College or more, 35-54	8.3	52.7	17.1	45.7	17.6	44.2
College or more, 55-64	2.0	52.2	5.6	46.8	6.5	44.3
All	100.0	27.4	100.0	25.0	100.0	24.6

Notes: Authors' analysis of March Current Population Survey.

This feature of the overall good-jobs rate – that it is simply the weighted average of the good-jobs shares for the 12 age-and-education categories – allows us to examine the effects on the overall good-jobs share with changes in the age-and-education mix of the workforce. We can, for example, ask what the overall good-jobs share would have been in 2010, if we had not had any age or educational upgrading after 1979. To do so, we simply take the age-and-education distribution of the workforce in 1979 (column one of Table 4), rather than the actual 2010 age-and-education distribution (column five), and multiply it by the actual 2010 good-jobs rates for the same age-and-education groups (column six).

As **Table 5** shows, the resulting calculation suggests that if the economy had not experienced any educational upgrading at all between 1979 and 2010, the overall good-jobs rate would have fallen from its actual 1979 rate of 27.4 percent to only 17.1 percent (shaded cell in the first row). The 10.3 percentage-point decline in the good-jobs rate that would have occurred in the absence of the age-and-education upgrading gives one estimate of the deterioration in the underlying capacity of the economy to generate good jobs. In the absence of observed improvements in the labor force, the share of good jobs would have fallen about 38 percent (10.3/27.4).

TABLE 5
Effects of Aging Population and Educational Upgrading on Good Jobs, 1979-2010
 (percent of employees, ages 18-64, with a good job)

Workforce from:	Good-Job Rates from:		Difference
	1979	2010	
1979	27.4	17.1	-10.3
2010	34.2	24.6	-9.6
Difference	6.8	7.5	

Notes: The entries on the main diagonal—27.4 and 24.6—give the actual good-job rates in 1979 and 2010, from Figures 4 and 5, and Table 4. The shaded, off-diagonal entries give counterfactual good-job rates. For 2007 (not shown in table), the actual rate of good jobs was 25.0 percent. The overall rate of good jobs using the 1979 age-and-education distribution and the 2007 good-jobs rate would be 18.0 percent. The overall rate of good jobs using the 2007 age-and-education distribution and the 1979 good-jobs rates would be 33.6 percent.

We can also use the same data to ask a different question: what would the good-jobs rate have been in 2010 if the economy had not lost any of its capacity to generate good jobs between 1979 and 2010? In this case, we use the actual distribution of workers by age and education in 2010 (column 5 of Table 4), but substitute the corresponding rate of good jobs held by each group in 1979 (column 2), when each group was more likely than today to have a good job. As Table 5 summarizes, if the economy had sustained the same capacity to produce good jobs that it had in 1979, the workforce upgrading that the economy did experience between 1979 and 2010 would have produced an overall good-jobs rate of 34.2 percent in 2010 (shaded cell in the second row), compared to the actual rate of 24.6 percent. Once again, we can use the gap between the actual and hypothetical rates to provide an estimate of the deterioration in the underlying capacity of the economy to create good jobs. In this case, the “1979 economy” would have yielded a good-jobs rate of 34.2 percent if it had had the more-experienced, better-educated workforce available in 2010. That the “2010 economy” could only produce a good-jobs rate of 24.6 percent with the higher quality workforce suggests that between 1979 and 2010 the economy lost about 28 percent ($9.6/34.2$) of its capacity to generate good jobs.

Conclusion

The U.S. workforce is substantially older and better educated than it was at the end of the 1970s. Given that older and better-educated workers generally receive higher pay and better benefits, we would have expected the share of good jobs to have increased in line with improvements in quality of the workforce. Instead, the share of good jobs in the U.S. economy has actually fallen. Our estimates suggest that, relative to 1979, the economy has lost about one-third (28 to 38 percent) of its capacity to generate good jobs.

The standard explanation for the deterioration in the economy’s ability to create good jobs is that most workers’ skills have not kept up with the rapid pace of technological change. The good jobs data, however, are not consistent with that view. If technological change were behind the decline in good jobs, then we would expect that a higher – probably substantially higher – share of workers with a four-year college degree or more would have good jobs today. Instead, at every age level, workers with four years or more of college are actually *less likely* to have a good job now than three

decades ago. This development is even more surprising because the economy also has almost twice as many workers with advanced degrees today as it did in 1979.

We believe, instead, that the decline in the economy's ability to create good jobs is related to a deterioration in the bargaining power of workers, especially those at the middle and the bottom of the income scale. The main cause of the loss of bargaining power is the large-scale restructuring of the labor market that began at the end of the 1970s and continues to the present. The share of private-sector workers who are unionized has fallen from 23 percent in 1979 to less than 8 percent today. The inflation-adjusted value of the minimum wage today is 15 percent below what it was in 1979. Several large industries, including trucking, airlines, telecommunications, and others, have been deregulated, often at a substantial cost to their workers. Many jobs in state and local government have been privatized and outsourced. Trade policy has put low- and middle-wage workers in the United States in direct competition with typically much lower-wage workers in the rest of the world. A dysfunctional immigration system has left a growing share of our immigrant population at the mercy of their employers, while increasing competitive pressures on low-wage workers born in the United States. And all of these changes have played out in a macroeconomic context that has – with the exception of the last half of the 1990s – placed a much greater emphasis on controlling inflation than achieving full employment. In our view, these policy decisions, rooted in politics, are the main explanations for the decline in the economy's ability to generate good jobs.¹¹

11 For further discussion, see Baker (2007), Bernstein and Baker (2003), Bivens (2011), Mishel, Bernstein, and Shierholz (2009), and Schmitt (2009).

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